

## Message Text

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PAGE 01 LISBON 02767 061740Z  
ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 EURE-00 SSO-00 SS-15 /028 W  
-----061744Z 087033 /41

O 061613Z APR 77  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC NIACT IMMEDIATE 0858

C O N F I D E N T I A L LISBON 2767

STADIS//////////

FOR EUR ONLY

E.O. 11652: XGDS-3  
TAGS: EFIN, PO  
SUBJ: CONSORTIUM LOAN FOR PORTUGAL

REF: STATE 075687

1. APPRECIATE OPPORTUNITY TO COMMENT ON APPROACH OUTLINED  
REFTEL. BY CHANCE, MARIO SOARES INVITED ME FOR LUNCH TODAY,  
APRIL 6, SO I HAD OPPORTUNITY TO DISCUSS WITH HIM IN GENERAL  
TERMS EUR'S MOST RECENT THOUGHTS. I EMPHASIZED THAT THIS  
THINKING WAS AT STAFF LEVEL AND HAD YET TO BE APPROVED BY  
SECRETARY AND PRESIDENT.

2. SOARES SHARED OUR ASSESSMENT OF FRG ATTITUDE. HE RE-  
VIEWED WITH ME HIS CONVERSATION WITH SCHMIDT DURING HIS  
VISIT TO FRG ON BEHALF OF PORTUGUESE ENTRY INTO EEC  
"THREE-FOURTHS OF WHICH WAS DEVOTED TO SUBJECT OF CON-  
SORTIUM," THE FOLLOW-UP MISSION BY CONSTANCIO WHICH PRODUCED  
LITTLE RESULT, AND MORE RECENT CONVERSATION BETWEEN SCHMIDT  
AND ZENHA AT SOCIALIST MEETING IN OSLO. IN LATTER CON-  
VERSATION, AS IN ALL OTHERS, SCHMIDT PLEDGED NOT TO LET  
GOP DOWN, BUT AT SAME TIME SENT NEGATIVE SIGNALS ON  
CONSORTIUM.

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3. SOARES THEREFORE AGREED THAT IT WAS TIME FOR A  
NEW INITIATIVE IN AN EFFORT TO BREAK THE IMPASSE.  
RECOGNIZING THAT IT MIGHT POSE DIFFICULTIES FOR GOP  
IN MEETING ITS BALANCE OF PAYMENTS DEFICIT, HE NONE-  
THELESS SUBSCRIBED TO APPROACH OUTLINED REFTEL AS THE ONLY  
FEASIBLE ALTERNATIVE. HE PARTICULARLY LIKED THE IDEA OF

TRYING TO PROMOTE A MEETING OF INTERESTED COUNTRIES.  
SOARES URGED THAT WE GET INSTRUCTION OUT AS SOON AS  
POSSIBLE, AND NOTED THAT PORTUGUESE EMBASSIES ARE STANDING  
BY TO PARTICIPATE IN JOINT EFFORT. AS SOON AS OUR  
INSTRUCTION GOES OUT HE PLANS TO SEND A SPECIAL EMISSARY  
TO BONN.

4. FOLLOWING ARE EMBASSY COMMENTS:

A. FIRST STAGE LOAN OF \$750 MILLION PROPOSED REFTEL  
APPEARS INADEQUATE TO MEET PORTUGAL'S LIQUIDITY NEEDS  
DURING THE NEXT 15-18 MONTHS. AS PARA 3 B OF REFTEL NOTES,  
PORTUGAL'S SHORTFALL FOR 1977 ALONE WILL BE BETWEEN \$500  
AND \$800 MILLION, AND WE TEND TO BELIEVE IT WILL BE IN  
UPPER PART OF THE RANGE. THUS, A FIRST PHASE LOAN OF \$750  
MILLION WOULD BE LARGELY EXHAUSTED THIS YEAR, LEAVING VERY  
LITTLE FOR 1978. IT MAY, THEREFORE, BE NECESSARY TO REDUCE  
THE PROJECTED PERIOD TO BE COVERED (WHICH SEEMS UNLIKELY)  
OR TO INCREASE THE SIZE OF THE FIRST PHASE LOAN.

B. SOME ADJUSTMENT IN COUNTRY CONTRIBUTIONS LISTED  
IN PARA 4 D OF REFTEL SEEMS WARRANTED, PARTICULARLY AS  
MORE THAN \$750 (OR \$730) MILLION MAY BE SOUGHT. NORWAY  
AND VENEZUELA, BOTH OF WHOM HAVE BEEN RATHER FORTHCOMING,  
MAY BE WILLING TO CONTRIBUTE MORE THAN THE \$70 MILLION  
INDICATED FOR THEM. FRANCE HAS ADMITTEDLY BEEN RELUCTANT,  
BUT IF IT DOES DECIDE TO PARTICIPATE, IT SHOULD BE ASKED  
FOR MORE THAN \$10 MILLION. WE SUGGEST THAT APPROACH  
BE MADE ALSO TO SWISS AND AUSTRIANS. OUR INDIRECT  
SOUNDINGS INDICATE THAT LATTER WOULD BE DISPOSED TO  
PARTICIPATE.

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C. PROCEDURE OUTLINED IN REFTEL, IF FOLLOWED, MUST  
BE DESCRIBED TO PUBLIC IN TERMS OF THE MUCH-PUBLICIZED \$1.5  
BILLION LOAN. PROPOSED \$750 MILLION FIRST PHASE LOAN,  
FOR EXAMPLE, CAN BE DESCRIBED AS THE FIRST PART OF A LARGER  
PACKAGE WHICH EVENTUALLY WOULD APPROXIMATE \$1.5 BILLION.  
ANY PUBLIC INDICATION THAT \$1.5 BILLION LOAN PROPOSAL HAS  
BEEN DEFINITELY TERMINATED WOULD BE SEVERE POLITICAL BLOW  
TO GOP.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, DIPLOMATIC DISCUSSIONS, FOREIGN ASSISTANCE, LOANS, INTERGOVERNMENTAL COOPERATION, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 06-Apr-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Disposition Reason:**  
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**Original Handling Restrictions:** ONLY  
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**Subject:** CONSORTIUM LOAN FOR PORTUGAL  
**TAGS:** EFIN, PO, US, GE, (SOARES, MARIO)  
**To:** STATE  
**Type:** TE  
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